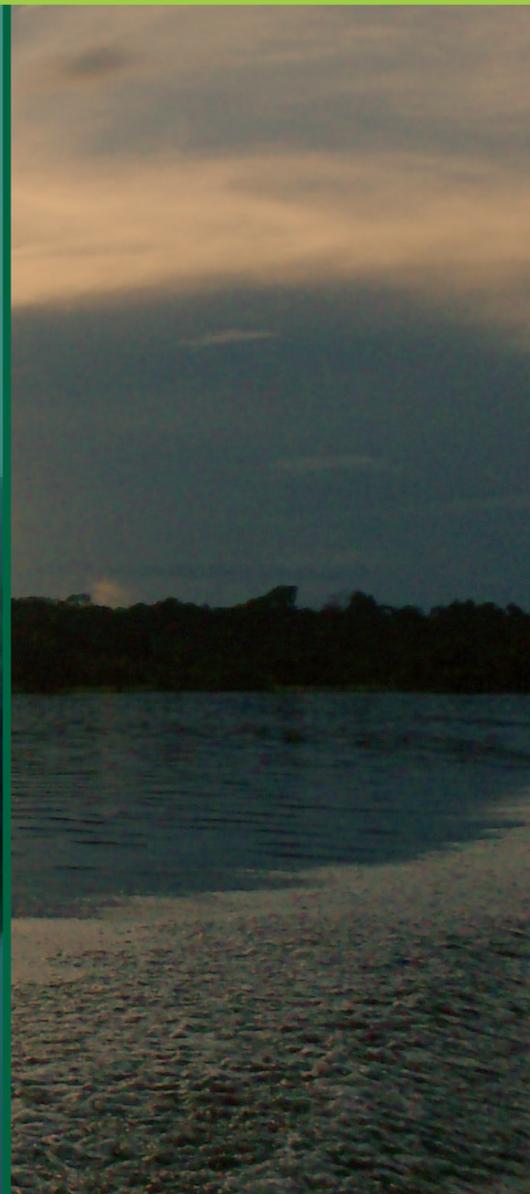
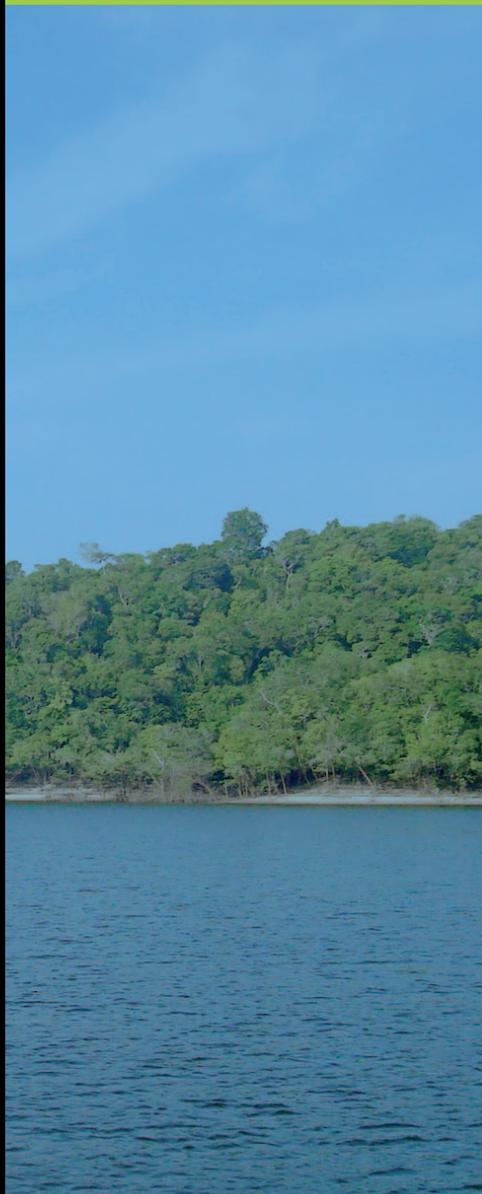


REDD+ in Amazonian States:

Mapping initiatives and challenges for
integration with the Brazilian strategy



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integration with the Brazilian strategy**

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The arguments exposed in this publication do not represent the position of the Ministry of the Environment or of the supporters of this publication..

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Presentation

This report was developed through a partnership between the Institute for the Conservation and Sustainable Development of Amazonas (IDESAM) and the Secretary of Climate Change and Environmental Quality of the Ministry of the Environment (MMA/SMCQ) with financial support from the United Kingdom Embassy to Brazil. The development of this study was motivated by the Federal Government's interest in establishing an informed and participatory dialogue with federal entities to create a national REDD+ system in Brazil.

I. Introduction

This study aims to present an overview of the current status of policies and initiatives related to issues of climate change, environmental services and reduction of emission from deforestation and forest degradation (REDD+) in seven of the nine Brazilian Amazonian States. The choice of these seven Amazonian States relied on the elaboration of REDD+ policies and regulations and the investment made, in terms of voluntary initiatives and projects funded by the Amazon Fund.

State initiatives and policies are mapped out through interviews with representatives of these seven Amazonian States, including both implementation and elaboration processes. From this data, a joint and individual analysis of the information and documents collected was carried out.

The States examined see REDD+ as a chance to channel resources and foster the development of a green, forest-based economy. There are a range of approaches and understandings of the treatment of various technical, legal and institutional issues. These understandings and the strategies adopted because of them have also evolved historically. There is interest in establishing a dialogue between States and the Federal Government on how to move forward in the development of a National REDD+ System which works seamlessly at both levels. This report presents some of the challenges that should be addressed in this dialogue.

The first section of this report presents the international and national REDD+ context. The second addresses the sub-national context, initiatives under way and the technical and economic instruments foreseen in the legal climate change and REDD+ framework of these states. The report then presents the main challenges identified by States and the next steps for the establishment of a dialogue between the Federal Government and States for the creation of a National REDD+ System in Brazil.

¹REDD+ works to stimulate developing countries to promote additional and voluntary efforts to reduce emissions from deforestation and forest degradation, as well as to promote sustainable forest management and to conserve and increase forest carbon stocks.



2. REDD+ in the international and national context

2.1. International Negotiations

Reducing emissions from deforestation and forest degradation (REDD) was formally included as an agenda topic in the international negotiations on climate change mitigations in 2005 during the COP 11. The topic gained more relevance after COP 13 in Bali, where the parties adopted a plan of common action (Bali Action Plan) which included REDD. Despite having been a central theme of international negotiations since 2007, Parties only reached an agreement on REDD+ in 2010 (more details on the Cancun Agreements can be found in the table below).

Cancun Agreements and REDD+

The COP 16 established that REDD+ actions must be based on verifiable results, and urged developing countries that develop the following, according to the circumstances and national capabilities:

- A national strategy or action plan;
- A national forest emissions reference level, or, as interim measure, the corresponding sub-national levels;
- A robust and transparent national forest monitoring system to monitor and communicate REDD+ activities, with, if appropriate, sub-national monitoring and communication as interim measure, in accordance with national circumstances and with the provisions contained in the decision 4/CP.15, and also with any other elaboration of those provisions agreed upon by the Conference of the Parties (UNFCCC/COP 16, 2010, paragraph 70); and
- A safeguard information system.

The COP 16 also ruled that the activities listed above should be implemented in three phases:

Phase 1: Development of national strategies or action plans;

Phase 2: Implementation of domestic policies and measures, and of action plans which may involve capacity building, development and transfer of technologies, and demonstration activities;

Phase 3: Implementation of actions based on results, which may be properly measured, reported and verified.

The national REDD+ strategy defines how a developing country will reduce their emissions from deforestation and degradation with appropriate and visible financial, technical and technological support. In regards to national REDD+ strategies, the COP 16 indicated that countries should consider:

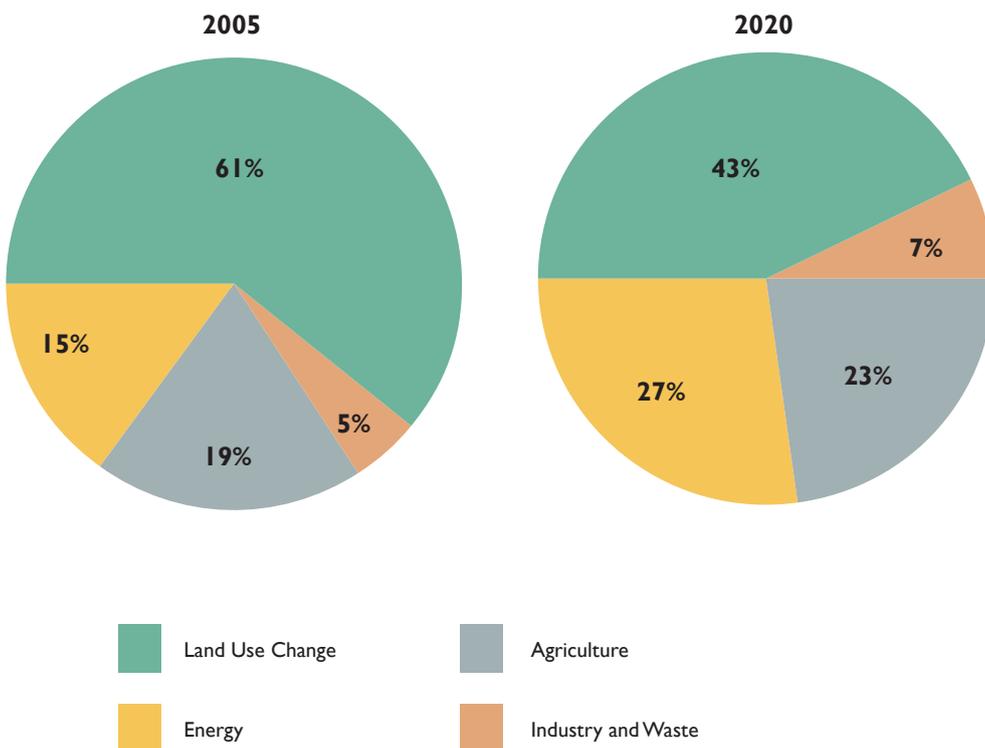
- Deforestation and forest degradation vectors;
- Land issues;
- Forest governance issues;
- Gender considerations and the safeguards identified in annex I to the decision, ensuring effective participation of relevant stakeholders, including indigenous peoples and local communities.

Despite recent advances in international negotiations, until now no global incentives structure has been created for developing countries implementing REDD+. There are still technical and methodological aspects to be defined by the Parties such as financing modalities, technical analysis of reference levels, aspects of measurement, communication and verification, and the treatment of deforestation and forest degradation vectors.

2.2. The National Climate Change and Regulation Policy

The National Climate Change Plan, created in 2008, and the National Climate Change Policy (Law No. 12.187), adopted in 2009 and regulated by Decree No. 7.390/2010, details actions and targets necessary to fulfil the national voluntary reduction commitment of 36.1% to 38.9% of greenhouse gas emissions. One of the goals of the plan is to reduce sustained rates of deforestation in all biomes, until reaching zero illegal deforestation, as well as the elimination of net vegetative cover loss by 2015 (see Figure 1). The Government proposes to reduce average deforestation rates by 42% in relation to the previous reference period, in three subsequent quinquenniums, until reaching a reduction of 80% by 2020, in relation to the average deforestation in the period from 1996 to 2005, in the Amazon.

Figure 1. Key sectors: contribution to GHG emissions in Brazil, in 2005, and sectoral composition estimated for 2020, according to Decree 7.390/20



2.3. Brazilian Emissions Reduction Market

The National Climate Change Policy (PNMC) includes in its guidelines the use of financial and economic instruments to promote climate change mitigation and adaptation actions and also aims at encouraging the development of the Brazilian Emissions Reduction Market (MBRE).

An inter-ministerial working group, coordinated by the Ministry of Farming and created by Executive Group (GEx) of the Inter-ministerial Committee on Climate Change (CIM), is assessing the role that the MBRE could play within sectoral plans and other national actions, including those related to forests.

2.4. Federal Legislation pertaining to REDD+

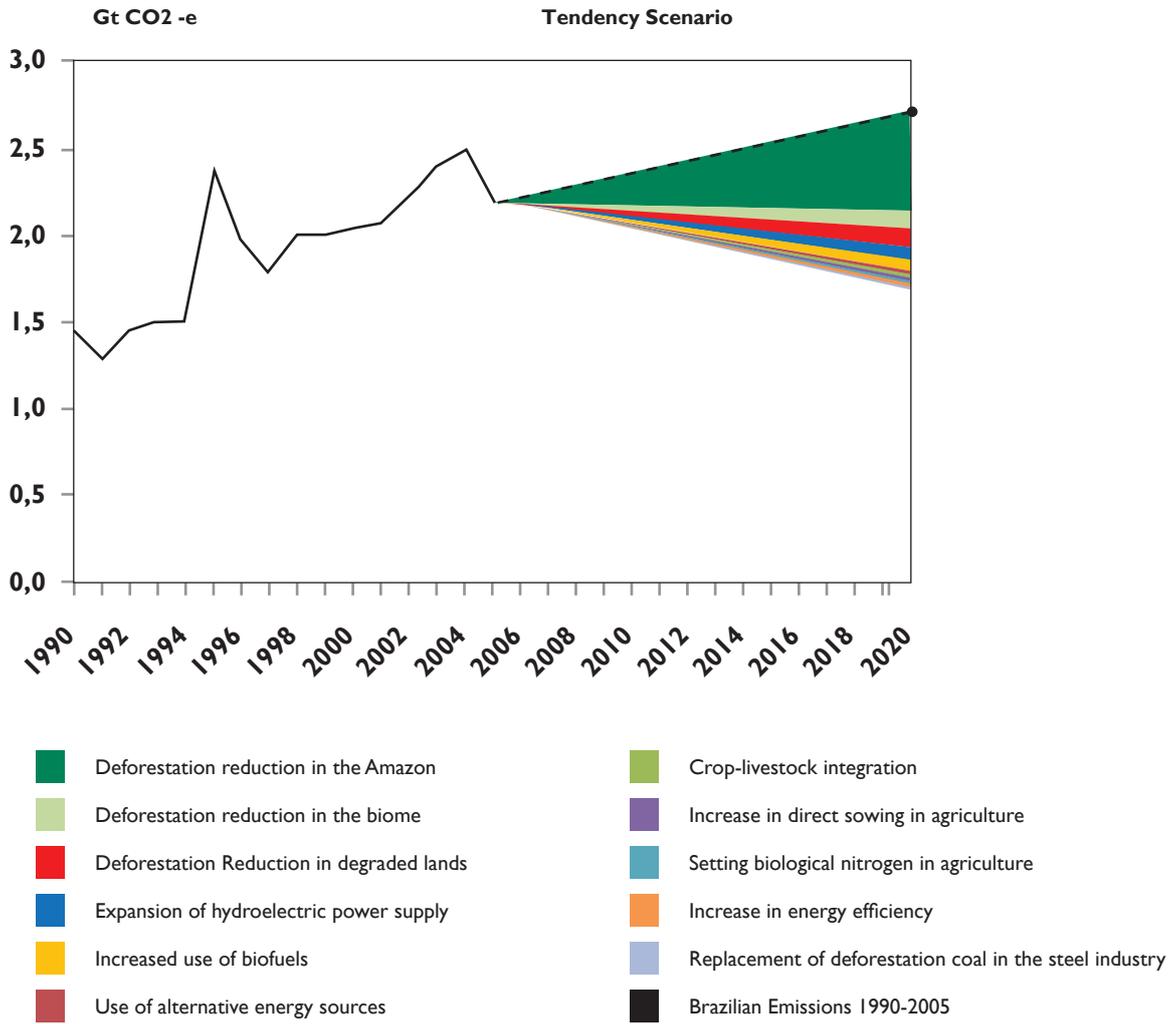
Brazil has an institutional, regulatory and policy structure that has been shown to be able to reduce deforestation and promote sustainable natural resources use, especially in the Amazon. The creation of a national REDD+ system must therefore take into consideration the national legal framework in force. Following are several relevant federal laws and policies:

- Forest code, law No. 4.771/1965;
- Indigenous lands, Title III of the Indian Statute, law No. 6.001/1973 and Art. 231 of
- The Federal Constitution of 1988;
- National Nature Conservation Units System (SNUC), Law No. 9,985/2000;
- Public forests for sustainable production, Law No. 11.284/2006;
- The Amazon Fund, Decree No. 6.527/2008.

2.5. PPCD and REDD+ Goals

In order to fulfil national commitments for forestry sector emission reductions, action plans were considered for the prevention and control of deforestation in the Amazon (PPCDAm over) and Cerrado (PPCerrado) biomes. These actions aim to reduce 80% of the annual deforestation rates in the Amazon, in relation to the average verified between 1996 and 2005, and 40% of the annual deforestation rates of in the Cerrado biome, in relation to the average verified between 1999 and 2008. Figure 2 presents the total emission reductions in the Amazon and the Cerrado until 2020.

Figure 2. Emissions mitigation actions until 2020

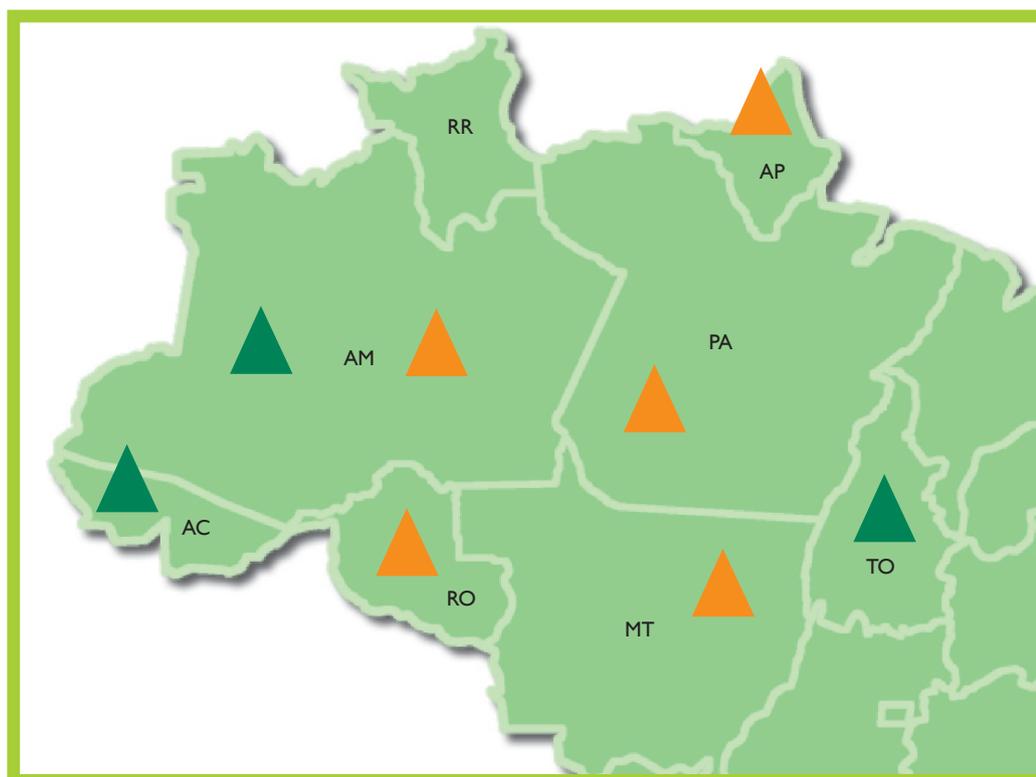


3. Sub-national Context

3.1. Legal Framework

In each state analyzed in this study, REDD+ initiatives were identified as in progress, at different discussion or implementation statuses, and through of different strategies. As Figure 3 shows, three of the seven States in this study already have legal framework² for climate change or environmental services (Acre, Amazonas and Tocantins) and two already have specific regulations approved on REDD+ (Acre and Amazonas³).

Figure 3. Current legal framework situation in Amazonian States.



▲ States with climate change, REDD+ or environmental services policies already regulated

▲ States with legal framework under discussion

The States of Amazonas and Tocantins were among the first in the country to establish climate change policies and are currently in the process of completion and revision, respectively. Other states, such as Mato Grosso, Rondônia and Amapá are working on discussing and creating these regulations.

² For purposes of this study, the legal framework is the set of principles, guidelines and norms included in laws and public policies governing certain activity.

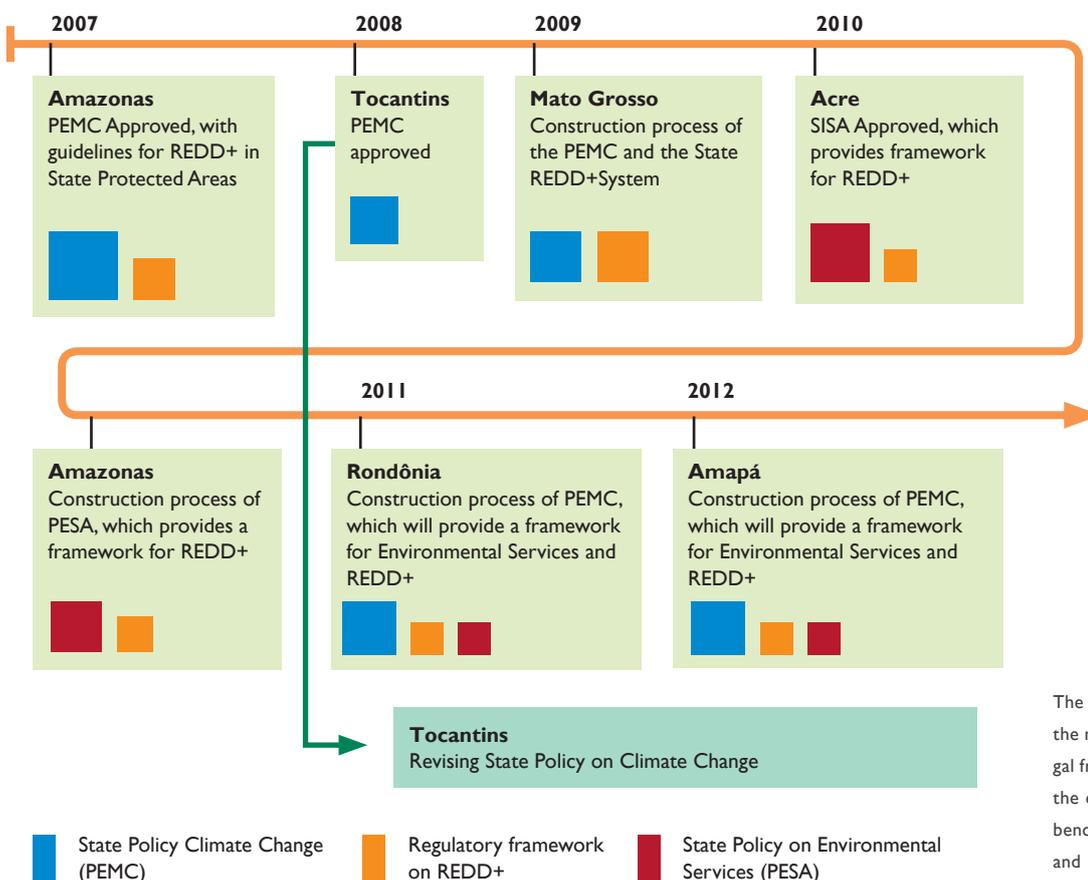
³ Amazonas approved its State policy on Climate Change in 2007 and is now working on its State policy on Environmental Services, which aims to complement the former.

Table 1 . State laws and policies on climate change, environmental services and REDD+

State	Policies	Legislation	State Forum Climate Change
Acre	Incentive Scheme for Environmental Services-SISA	2.308/2010	No
Amapá	Bill for the State Policy on Climate Change in Amapá	Under construction	No
Amazonas	State policy on Climate Change, Environmental Conservation and Sustainable Development in Amazonas	3.135/2007	Yes
	State Policy on Environmental Services	Under discussion	
Mato Grosso	State Policy on Climate Change	Legislative Procedures	Yes
	Bill for State REDD+ System	Awaiting approval of the State Forum on Climate Change	
Pará	Bill	Inactive since 2009	Yes
Tocantins	State Policy on Climate Change, Environmental Conservation and Sustainable Development in Tocantins	1.917/2008 (in the process of being revised)	Yes

From the analysis of the legislation and State Policies on Climate Change in force in these three Amazonian States, we see that, even before the enactment of the National Climate Change Policy by the federal Government, states in the northern region of the country have already affirmed their commitment to the issue of climate change, environmental services and REDD+ (Figure 4).

Figure 4. Timeline of State laws



The difference in icon sizes represents the most comprehensiveness of the legal framework. E.g. In the case of Acre, the existing law is SISA, but it provides benchmarks for REDD (larger icon and smaller icon). In the case of Mato Grosso, there are two specific legislations (icons of the same size).

In relation to REDD+, the most advanced states in terms of regulation levels are Acre, Amazonas and Mato Grosso, with laws implemented or in the final stage of construction. These laws were drawn up with the participation of civil society through State Forums in Mato Grosso and Amazonas, and in the case of Acre, with the participation of state councils. In all three cases, several public and sectoral consultations were carried out.

The experiences of the states which pioneered the development of policies are often used as a basis for discussion of legal frameworks in other states. This was the case of Rondônia, which he took as an example the cases of Acre, Mato Grosso and Amazonas when discussing the construction of its own policy. In this sense, inter-state cooperation is of great importance, facilitated by discussion and cooperation spaces such as the Forum of Environment Secretaries in the Amazon and the Governor's Task Force on Climate and Forests (Governors Task Force on Climate and Forests - GCF).

The States of Tocantins and Amazonas, pioneers in the establishment of policies on climate change and environmental conservation, are in the process of revision, supplementation, and regulation of these policies.

In the case of the Amazon, the State policy on Climate Changes (PEMC) created programs related to environmental education, adaptation, monitoring and surveillance, energy and alternative technologies - but, in regards environmental services and REDD+, previous actions are geared only towards deforestation emissions reductions and treated only the implementation of such actions within the framework of the State System of Conservation Units (SEUC). As the discussions on REDD+ and ecosystem services (water, biodiversity, etc.) continue, the State decided to complement the PEMC with an environmental services policy that extend the scope and territorial coverage.

Tocantins is in the process of reviewing its policy on climate change and forestry conservation following a different logic to that of other states. The focus of the current Government is to incorporate their environmental assets into the patrimony of the State. Using this approach, among others, the state seeks tax benefits and increases in its borrowing capacity on the basis of the environmental patrimony it maintains.

In a way, these examples also reflect the current scenario of other state regulations: those state issues which are more mature within the international, national and state context are treated in more detail, while incipient issues regulated later.

3.2. Instruments Planned

Despite States adopting different strategies for the definition of their legal frameworks, as well as being in different status in this sense, we can understand that several common instruments exist for both proposals under construction as well as those in implementation.

Technical Instruments

The key technical instruments foreseen in the state's legal framework are:

- **Forest inventories:** to determine specifically how much carbon exists in the forests and subsequently calculate emissions related to the forestry sector.
- **REDD+ Baseline:** to establish the baseline scenario upon which a state may calculate their emissions reductions, as well as monitor compliance with any established goals.
- **MRV Systems:** to monitor, measure and verify deforestation reductions and consequent

emission reductions.

- To establish a baseline and a monitoring system, states can measure and monitor the results of their reduction actions and subsequent deforestation emissions reductions. From this amount, they can access financial resources autonomously and from various sources, both voluntary, based on credit transactions, and those related to the market, since these emissions reductions will already be computed and verified.
- **Social and environmental safeguards:** to manage potential REDD+ activity risks of to biodiversity, local communities and indigenous peoples, as well as the environmental integrity of the state REDD+ system. They also serve to guide the development of independent initiatives, ensuring that they are in accordance with the principles set out by the State.
- **Registry system:** for the registration of measurable and verifiable REDD+ actions and their respective emissions reductions. In some more advanced cases (such as Acre and Amazonas), the registry will also have the role of ensuring that these initiatives are being developed in accordance with the principles laid down in the legal framework by the state, as they analyzed by responsible body for them entering the registry. This underlines the interest of the states in developing REDD+ projects geared towards carbon markets. Having an active registry system, it is possible for states to transact credits without compromising their goals and avoiding the risk of double accounting at the national level.

As well as these instruments, there are tools for valuing planned environmental assets and would serve as incentives schemes for environmental services in general.

Economic/Financial Instruments

In terms of public sector involvement and funding sources for financing REDD+ initiatives, State budget resources, bilateral agreements and crediting environmental services/REDD+ have been singled out, by the majority of states, as methods envisioned for involving the public sector (table 3). In addition, some states are discussing other potential resource sources, including royalties from hydroelectric, mining and petroleum ventures. The aim is to build mechanisms which allow for the channelling of resources associated with compensations for actions in the forest sector; at both state and national levels.

Table 2. Modes of public sector involvement

Modalidades	AC	AM	AP	MT	PA	RO	TO
Bilateral Agreements							
Public resources (budget)							
Concessional Loans							
Non-debt generating funds							
Crediting environmental services/REDD+							

There is clear agreement among states on the need to involve the private sector in their REDD+ policies and initiatives. Table 4 below shows the financial mechanisms and strategies being proposed by the states, at different levels of implementation and/or regulation to encourage the participation of the private sector in REDD+ initiatives.

Table 3. Modalities for the involvement of the private sector

Modalidades	AC	AM	AP	MT	PA	RO	TO
Crediting environmental services/REDD+							
Tax incentives							
Concessional Loans							
Payments for environmental services							
Subsidies							
Non-debt generating funds							
Tradable Permits (environmental reserve quotas)							

The crediting of environmental services and the use of positive incentives, mainly tax incentives and payments for environmental services, are economic instruments cited by most states as potential strategies for promoting private sector participation.

Crediting Environmental Services/REDD+

Most states included in this study are interested in accessing various financial sources to support REDD+ actions and offer credits which could be absorbed by different compensatory and non-compensatory markets. Some of them are already implementing structures to allow their systems to generate credits for transacting in these markets (such as Acre and Amazonas), these structures are also provided for in the legal framework being constructed in states such as Rondônia e Amapá. Even those which have not yet defined their strategy in the legal framework have also expressed their intention to access voluntary market resources, considering them a promising source of short-term resources.

Currently, there is no compensatory carbon market for REDD+ actions in the context of the UNFCCC and payments resulting from REDD+ are considered in national context and under full MRV.

In the voluntary carbon market, methodologies have been developed for sub-national projects or programs by independent organizations, such as the Verified Carbon Standard (VCS). The inclusion of potential REDD+ credits are in compensatory markets is under discussion in initiatives such as that of the California State Government, USA, and of the Australian Government.

The Acre State Government, for example, participates in a working group with state governments in the California and Chiapas, Mexico, which are studying possible modes of future REDD+ compensatory credit transaction.

Some Amazonian States also intend to participate in the prospective Brazilian Emissions Reduction Market (MBRE) and are looking at offering compensatory credits to other Brazilian States with potential demand, such as São Paulo and Rio de Janeiro.

Positive incentives: Tax Incentives and Payments for Environmental Services

State Governments are also considering other options for funding their REDD+ actions in addition to a carbon market. Most state systems analyzed include the use of positive incentives such as tax incentives and payments for environmental services.

Mato Grosso and Rondônia are discussing the possibility of reducing the tax burden of social

agents who adopt good environmental practices, in accordance with the principles defined by the state, as well as adopting subsidies for forestry products and public funds (for example, through minimum price). Another interesting proposal is the possible renegotiation of state debts with the Republic, so as to convert part of the resources which should be paid in investment to actions related to environmental services, in accordance with defined criteria.

Amazonas is anticipating the exemption of legal reserve through payments for environmental services, so that landowners can “compensate” their legal reserve by supporting environmental service projects. In Acre, SISA provides for the creation of economic and financial incentives from especially set up state funds and which will benefit those who adhere to Government REDD+ programs and projects.

3.3. Governance

Most of the laws and policies on REDD+, approved by states analyzed, include the creation of bodies and institutions to support the implementation of activities and projects, such as, for example: a methodological and scientific committee and a monitoring committee. These arrangements were intended to monitor the development of programmes and projects, in order to ensure its technical quality and avoid the potential negative environmental impacts from these activities. In some cases, the state laws and policies create institutions to support the participation of these private sector initiatives, such as in the case of Acre, through the creation of an Environmental Services Company.

In many cases, the design of policies is accompanied by the revision or creation of institutional arrangements to accommodate planned activities (ex: Acre and Amazonas, with the creation of institutes). The rationale for this is to give more agility, transparency and efficiency to the procedures stipulated by these laws.

The governance of these systems and the interaction between the various institutions involved in these processes vary between the states and are currently at different stages of definition and implementation.

3.4. Actions Underway

The states have been working to organize and implement structures which allow the functioning of sub-national REDD+ systems, integrating them with other policies and initiatives in progress. As mentioned, the progress of these discussions at a different stage in each of the states examined in this study, which reflects not only the level of progress of the discussions but also of the strategies adopted by each state.

The table below reflects the implementation status of different policies and initiatives underway in different states:

Table 4. REDD+ actions currently underway in states analyzed

Modes	AC	AM	AP	MT	PA	RO	TO
Climate change or environmental services legislation approved ⁴							
Climate change or environmental services or REDD+ legislation under construction							
Existing REDD+ regulation ⁵							
Existence of State Forum on Climate Change							
Existence of REDD+ projects (at any stage of development)							
Projects supported by the Amazon Fund (state wide) ⁶							
Deforestation reduction goals ⁷							

The Action Plan for the Prevention and Control of Deforestation in the Amazon (PPCDAM) and the establishment of the Amazon Fund created incentives elaboration plans for preventing and combating state deforestation in the Amazon region. The seven states that are part of this study have already elaborated their PPCDs. One of the points established in state plans is the definition of voluntary goals to reduce deforestation. Amazonas, Pará, Mato Grosso and Acre established targets (for the period 2010 to 2012), in an integrated manner to the goal proposed by the national plan for climate changes (PNMC) for the Amazon region (MMA, 2011) (more details in Figure 5)..

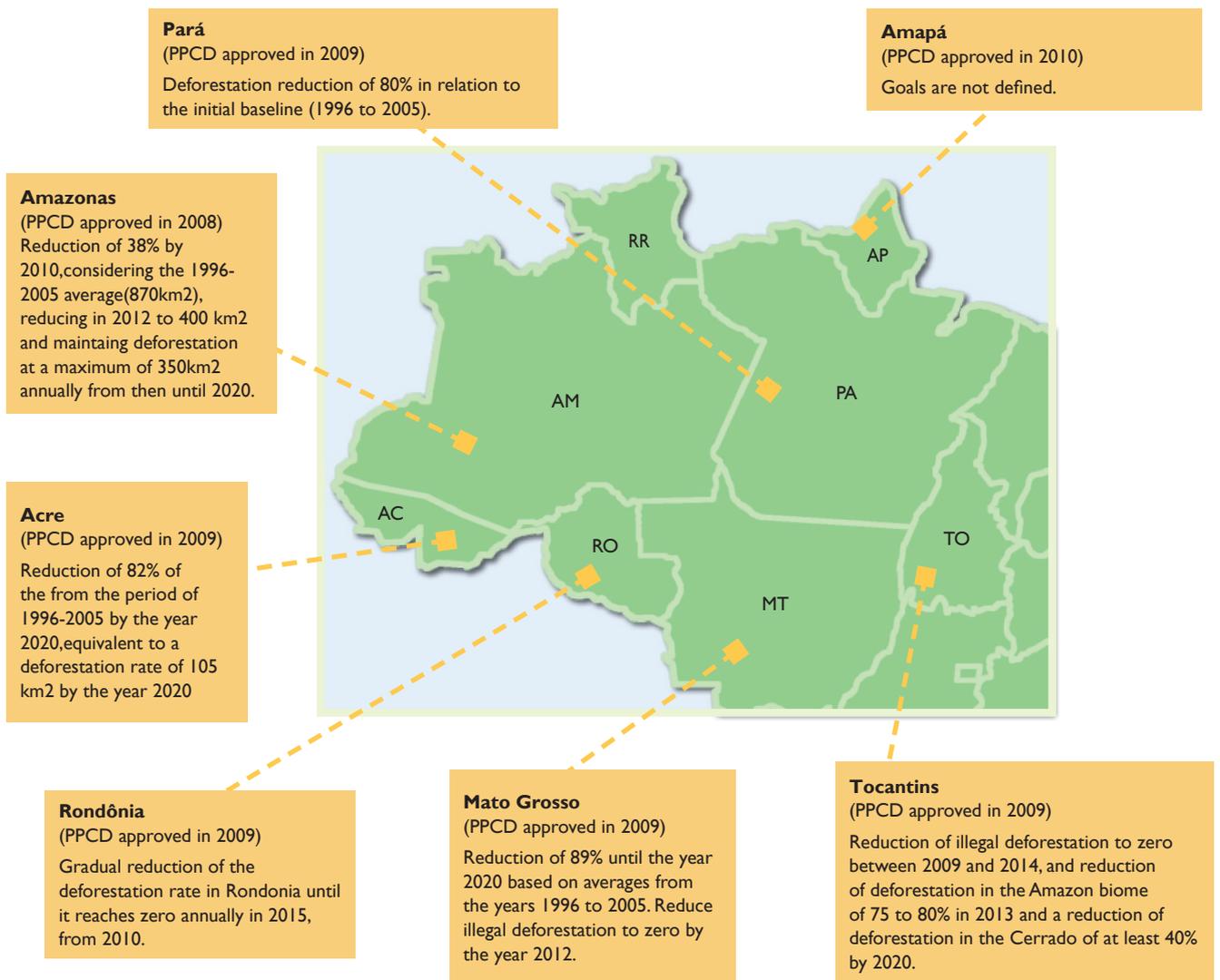
⁴In the case of Tocantins, the law is currently being revised

⁵In the case of Acre, the SISA law included a specific programme for REDD+ actions (ISA Carbon). In the case of the Amazon, the PEMC requires REDD+ actions in State Protected Areas and will be complemented by the State Policy on Environmental Services, which will include the remaining areas in the State.

⁶The States of Tocantins and Rondônia have projects currently being evaluated by the Amazon Fund projects.

⁷Established through State Action Plans for Deforestation Prevention and Control.

Figure 5. State PPCDs and targets



The State PPCDs are harmonized with the guidelines and priorities in the Sustainable Amazon Plan (PAS) and the PPCDAM. They reinforce the support policies for sustainable development and the economic valuation of the forest, contributing to the measurable goals for the success of the National Policy on Climate Change, which set the national goals of emission reductions (MMA, 2011).

In the context of states surveyed, it appears that REDD+ should be, as well as a financial strategy, a mechanism for construction or mobilization of structural policies. In the states, the ultimate goal is to reduce deforestation and ensure that the forest sector economy can generate economic resources that guarantee its conservation. REDD+, as one of the mechanisms in place to achieve this goal, therefore undertakes various efforts to establish frameworks or systems enabling the regulation of REDD+ actions. Six of the seven states surveyed prioritized the creation and implementation of their own legal REDD+ frameworks, which integrate other fundamental actions for valuing ecosystem services like water, biodiversity and others.

Two other issues cited as priorities by states within the framework of this report were the promotion of sustainable forest management activities and the effective implementation of conservation units. These actions are already being implemented in most states, however, often they don't reach the appropriate scale or the effectiveness required, given the scarcity of resources available for their full development. In this context, REDD+ policies and incentives can be an important component to complement a financial strategy based on various funding sources in order to conserve Amazon forests.

The states see the Amazon Fund as an highly important initiative and great majority of them already have projects approved and in implementation in their territories, developed both by non-governmental institutions (in some cases, in partnership with State or Municipal Governments) as well as directly by the State Government. However, one of the aspects mentioned by some states was the need to revise the procedures adopted by the Fund, so as to facilitate access to available resources. This challenge will be detailed in the next section.

Another interesting item to highlight relates to instances of civil society participation in the control and monitoring of the government actions. Some states have created State Forums on Climate Change in their legislation, opening space for different groups and sectors represented to express themselves and influence the construction and implementation of such policies. In other states, such as Acre, despite not having a forum stipulated by law, participation of different sectors is guaranteed through state councils or chambers, as in Amapá.

In several of the states examined, REDD+ pilot initiatives were identified, geared toward the voluntary carbon market, in many cases developed by the governments in partnership with other non-government institutions. The voluntary projects have encouraged building technical capacity and generated important lessons for local governments, as well as channelling new resources towards the states. In Brazil, for example, the pilot initiative "Suruí Forest Carbon Project" prompted the government's most active participation in REDD+ discussions and catalyzed the discussion and construction process of related policies currently underway.

Table 5 below shows the projects supported by the Amazon Fund in the states analysed and voluntary REDD+ initiatives.

Table 5. Existence of voluntary REDD+ initiatives and projects supported by the Amazon Fund

State	Project supported by the Amazon Fund	Voluntary REDD+ initiatives
Acre	Project of the State of Acre for Environmental Services incentives (Acre State Government)	Purus Project (CarbonCo, LLC)
Amapá		Flota REDD+ project (Embrapa Amapá and Partners) Cajari Carbon Project (Instituto Estadual de Florestas - IEF and the Rio Cajari Agro-extractivists Workers Association) Jari-Amapá Project (Biofilica and Orsa Florestal)
Amazonas	Conhecer para Conservar (Know to Preserve) (Museum of the Amazon)	Projeto de RED da RDS do Juma (Governo do Estado e Fundação Amazonas Sustentável) Itacoatiara Project (Biofilica e Amata)
	State Secretary for Environment and Sustainable Development (SDS) the Amazonas State Government	
	Bolsa Floresta (Forest Grant) (Sustainable Amazonas Foundation)	
Mato Grosso	Forest Firefighters of Mato Grosso (Mato Grosso State Government)	Cotriguaçu Always Green (Centro de Vida Institute) (ICV), the municipal government, the state government, ONFi and the Tropical Forests Institute.
	Sementes do Portal (Ouro Verde Institute)	
	Nascentes do Buriti (Carlinda Municipality)	
	Preserve Porto do Gauchos (Porto dos Gaúchos Municipality)	
	Recover Marcelândia (Marcelândia Municipality)	
	Olhos d'Água da Amazônia (Alta Floresta Municipality)	
Pará	Sustainable Settlements in the Amazon (Amazon Environmental Research Institute-IPAM)	REDD+ Calha Norte Pará (Imazon, in partnership with the International Conservation and the Pará Secretary for the Environment (SEMA))
	Fundo Dema FASE- Federation of Organisations for Social and Educational Assistance	PREDD project in São Félix do Xingu (The Nature Conservation-TNC, Pará State Secretary for the Environment (SEMA),
	SEMA Pará (Pará State Secretary for the Environment) State Government of Pará	Ecomapuá REDD Project, Ilha do Marajó (Ecomapuá Conservation Ltd)
	S.O.S Cumaru do Norte	Cikel REDD Project (CIKEL Brazilian Amazon)
	Cumaru do Norte Anapu Municipality towards a Green Seal (Anapu Municipality)	
	Jacundá, Green Economy Municipality (Jacundá Municipality)	
	IMAZON Project (Amazon Institute of Man and the Environment)	
Rondônia		Suruí Forest Carbon Project (Metareilá Association of Indigenous Population Suruí)
Tocantins	Forestry Protection Project Tocantins (Tocantins State Government)	Carbon sequestration in Ilha do Bananal (Ecological Institute)
		Gênesis Project (Ecological Institute)
Interstate Projects	Dissemination and Improvement of Sustainable Forest Management Techniques (Tropical Forest Institute) States of Pará, Amazonas and Rondônia	
	Kayapó Conservation Fund for indigenous lands (Brazilian Fund for Biodiversity) States of Pará and Mato Grosso	
	TNC Brazil (The Nature Conservancy Brazil) States of Pará and Mato Grosso	
Regional Projects (All Amazonian States)	Strengthening of the Public Policy Incubator in the Amazon Pará Federal University (UFPA) and the Foundation for Research Support and Development (FADESP)	
	New Social Cartography of the Amazon (Muraki Foundation for Institutional Support)	
	Protected areas of the Amazon (Arpa) (Brazilian Fund for Biodiversidade)	

4. Challenges in Integrating National and Sub-national REDD+ Policies

CAs presented in section 3, there are state laws and policies already established in the Legal Amazon which focus on valuing environmental services and REDD+, indicative of the high priority given by these States to forestry issues within the context of climate change mitigation in Brazil.

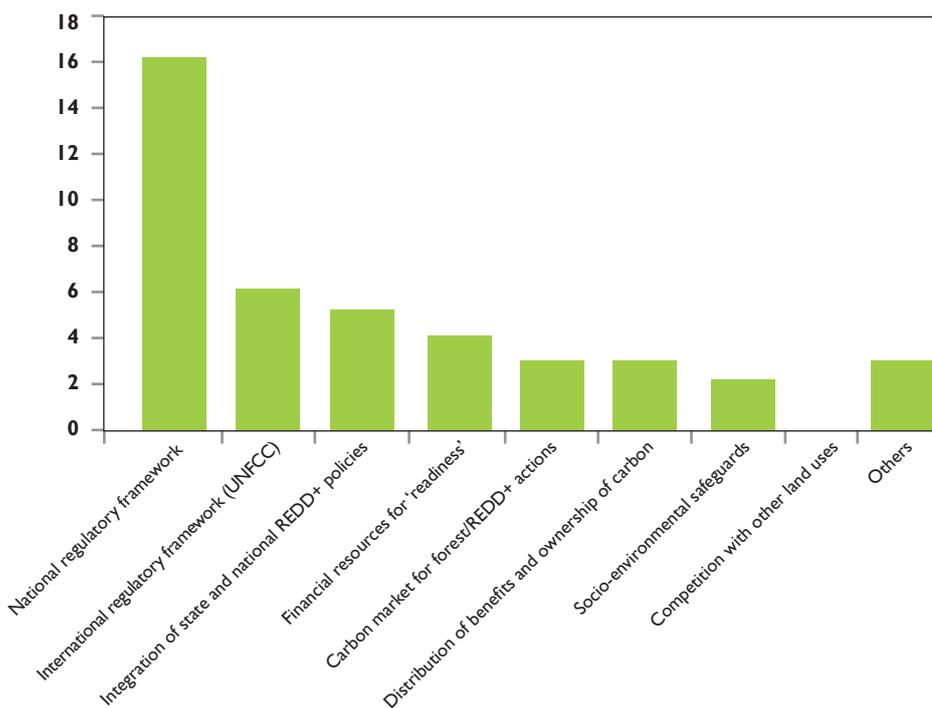
Although incorporating common elements, such as the elaboration of social and environmental safeguards, the development and integration of projects within the state system (via registration), the intention to apply market-based instruments and the definition of a registry system, the state policies aim to adapt to the specific realities of each State, and thereby differing in some points.

The definition of general rules at the national level to integrate these policies and orient the technical and methodological aspects is essential to ensure that REDD+ commitments in Brazil are met. Accordingly, the following challenges have been identified for the REDD+ regulation in Brazil:

1. Absence of regulation

The States examined highlighted the lack of specific legislation on REDD+ as the main challenge for the implementation of their REDD+ actions. This absence of national regulation creates two central issues: (i) legal uncertainty damaging to investors and financiers interested in supporting consistent and promising programs, projects and initiatives (ii) makes room for the development of inconsistent projects and methodologies, which in the future would complicate the integration of national and sub-national initiatives.

Figure 6. Main challenges and gaps for REDD+ implementation⁸



⁸Average of answers obtained, as priority

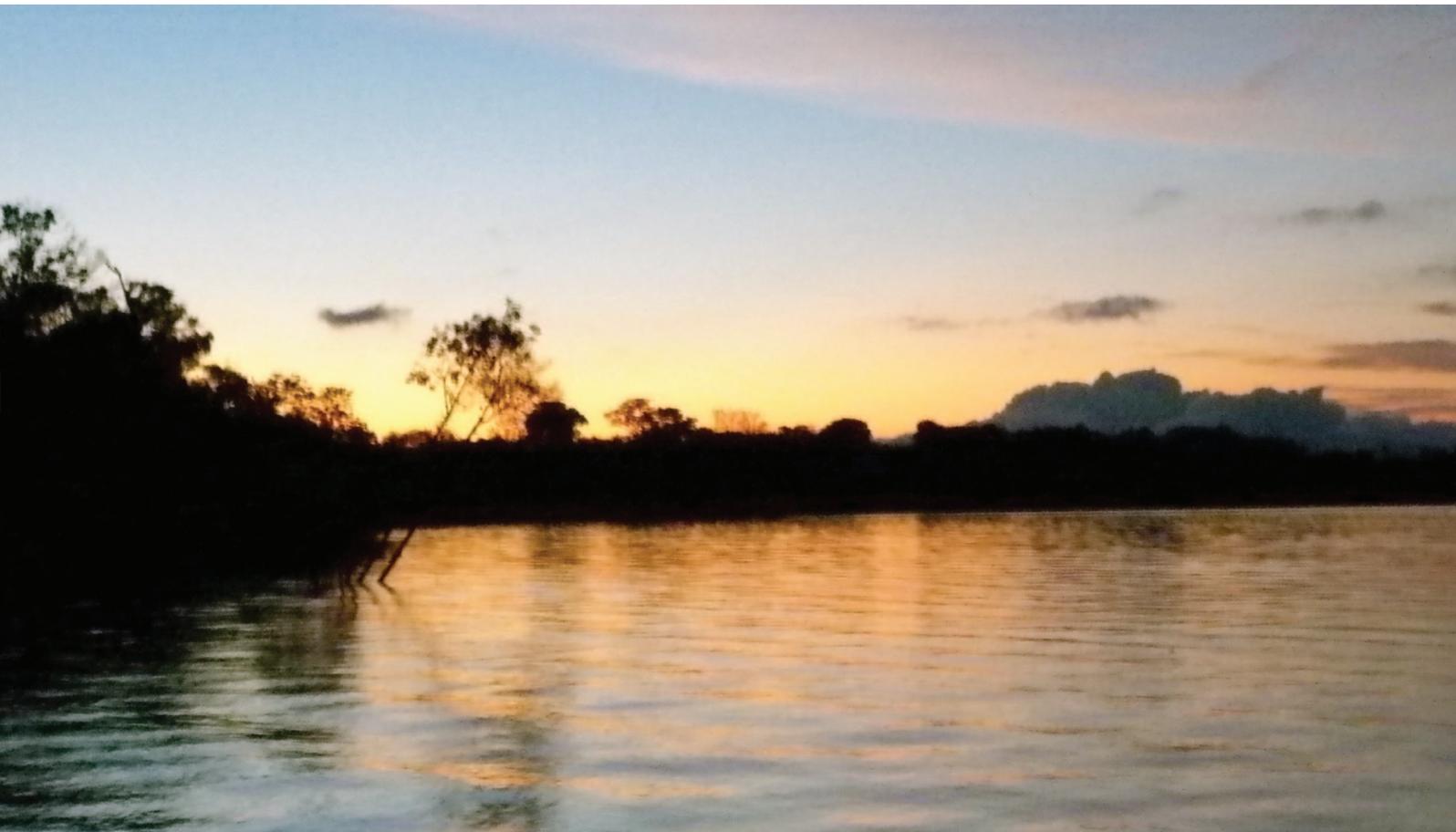
In the international environment, the absence of a framework establishing commitments and guidelines for implementing initiatives of this nature prevents the creation demand governed on a scale sufficient to generate significant financial flow.

- 2. Harmonizing commitments made to deforestation reduction at state and federal levels:** It is important that responsibilities are defined and divided between state governments and the federal government in regards to reduction commitments, and that the total of the state goals, as well as their duration, is consistent with the voluntary national commitments under the PNMC.
- 3. Integration of emissions reductions accounting:** The majority of states interviewed supported the accounting of REDD+ per biome, justified primarily by the priority of the action, the availability of tools and instruments for MRV⁹ and different dynamics of deforestation in each of the biomes. If we consider, for example, the Cerrado and Amazon biomes, the difference between the emission reduction goals in the biomes (80% in the Amazon and 40% in the Cerrado) and the land use dynamics, they imply specific strategies for each biome. However, the integration of accounting presupposes the methodological harmonization of development aspects such as reference levels and emissions reference levels, measurement and verification guidelines throughout the country.
- 4. Recognition of the economic value of environmental assets:** financial structures must be established both at the federal as well as the state levels to ensure a diversified economic strategy, which enhances the ability of investments in REDD+ activities and other activities related to the forest sector.
- 5. Efficient and effective mobilization of resources from the Amazon Fund:** Although there are projects of significant value approved by BNDES in certain States, difficulties in access to resources were indicated by the state governments, signalling the need to strengthen the allocation of resources on the part of the Amazon Fund, on a larger scale and with greater agility.
- 6. Treatment of demonstrative actions or voluntary projects:** Some states are already developing projects based on methodologies established in the voluntary market. It is important to have a clear definition on how these initiatives will be addressed/ integrated into the national policy on climate change, in line with social and environmental safeguards and using robust methodologies. Only in this way will it be possible to promote the development of pilot activities that will contribute to the construction of Brazil's national REDD+ strategy.
- 7. Generation of REDD+ credits for compensation:** We note the intention of states, especially those more advanced (AC, AM and MT), of proposing crediting based on the performance of the state or in specific projects integrated into a state record, in relation to a state baseline. This reflects the expectation appointed to the states that the carbon market presents itself as a structured way, channelling resources to initiatives which

⁹ Although using the nomenclature "MRV", for measurement, reporting and verification, these functions can be applied to actions of countries, which involve communicating the country's verified actions to the UNFCCC..

reduce emissions and increase forest inventories. One of the concerns of states is if and how eventual credits transacted on the voluntary market will be absorbed and recorded nationwide in the future. One suggestion raised was to define limits for transactions of this nature, which would not compromise the achievement of the national targets and could offer concrete elements for planning the state's financial strategies.

- 8. Definition of carbon ownership and the creation of mechanisms for benefits allocation:** The financial resources generated by REDD+ initiatives should be distributed equitably between the social agents involved. In addition, it should ensure that initiatives to promote forest conservation do not generate negative environmental and social impacts on the local communities which depend on natural resources for their livelihood.



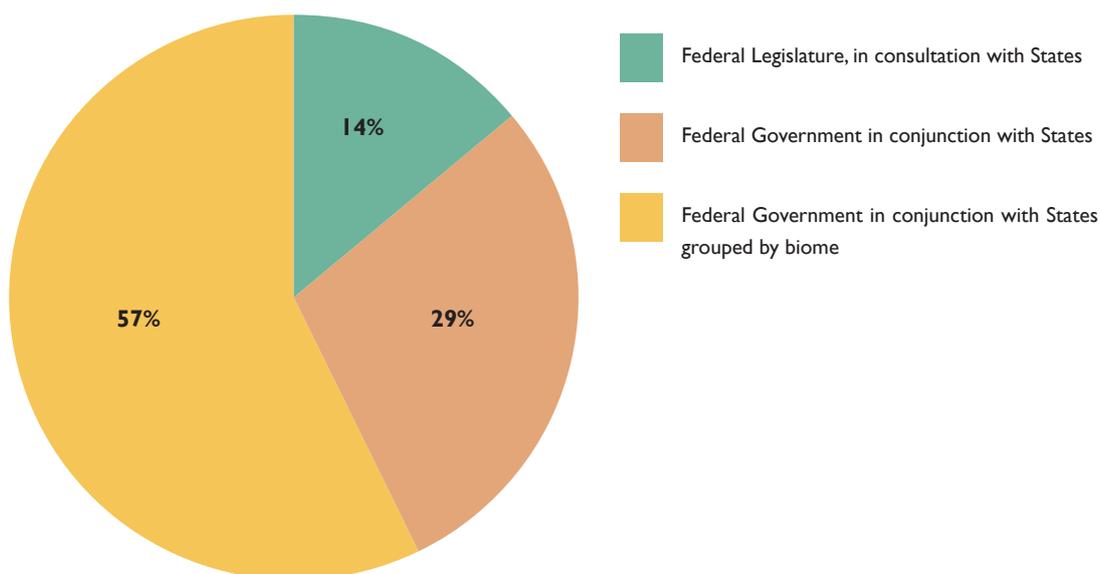
5. Next Steps

The establishment of a structured and active dialogue between the Federal Government and interested parties, among them, State Governments, is one of the premises for the construction of a national REDD+ strategy. States may contribute to this process with the lessons learned in their pilot projects and in the processes of construction their sub-national legal framework.

This dialogue and construction process can be divided into stages, starting with the issues considered as more urgent and strategic to the states, related especially to defining guidelines for implementing and registering sub-national activities, since many actions of this nature are already being implemented. Thereafter, issues of equal importance but which require more detailed definition may be addressed, such as the possible financial instruments, MRV, among others.

In regards to instances of nationwide REDD+ regulation, the vision of most states is that this process should be conducted in conjunction with their active participation, and can be grouped by biome. Despite some difference of opinion over the leadership of the legal framework construction process by the Federal Executive or Legislature, states opinion is unanimous on the need for their active involvement in the construction of national REDD+ regulation, as shown in Figure 7 below.

Figure 7. Preference of states on which instance the REDD+ regulatory process should occur in Brazil



Annex I - State Profiles

ACRE

The state has a long history of initiatives in the forestry sector, such as community forest management and exploration of non-timber forest products. Recently, it has been implementing innovative policies and initiatives to encourage and enhance ecosystem services. For Acre, REDD+ initiatives must be integrated with a comprehensive strategy, being a part of and not the end of the process of state development, intensifying and strengthening the actions of protection and sustainable production.

Legal Framework

In October of 2010, the State approved a law creating the “Incentives System for Environmental Services” - SISA, aimed at reconciling economic development, forest conservation and climate change mitigation. One of its programs, ISA Carbon, regulates carbon emission reduction actions, including REDD+, predicting the development of public and private projects, as well as other actions, within the framework established by the law. In addition, it has various programs related to other environmental services.

The State considers SISA a strategy for achieving deforestation reduction and sustainable forest use targets, together with other policies. In this context, SISA is one of the mechanisms and strategies for raising funds to achieve these targets, based on a vision of multiple actions and sources of funding. SISA even established new institutional arrangements for its implementation, consisting of:



Deforestation Reduction Targets

The State has a reduction target of 82% of the deforestation rate by the year 2020, based on the average rate between the years 1996-2005, envisaged in its Plan for Deforestation Prevention and Control (PPCD-Acre)..

Existence of State Forum on Climate Change

Acre doesn't have a State Forum established, but the SISA law establishes a collegiate of the three existing councils in the State, through which the various sectors of civil society and government are represented.

Initiatives underway

Memorandum of Understanding (MoU) with California and Chiapas - aims to create recommendations for the cap-and-trade program in California and to study integration and recognition possibilities for state systems.

REDD+ projects¹⁰ - has a private development project (Purus project), which should enter into the SISA logic, as well as others that are developed..

¹⁰ In all profiles, this item refers to projects aimed at the Voluntary Carbon Market.

AMAPÁ

Amapá has a rather peculiar profile: it has more than 72% of its territory under protection, has the lowest cumulative rate of deforestation in the Amazon, 2.57% of its forest area¹¹ and faces difficulties in monitoring due to the large and frequent cloud cover in its territory. The vision of the State is for REDD+ to be a compensation mechanism for historic forest conservation efforts.

Legal framework

The State has as yet no specific regulatory framework for climate change, environmental services or REDD+. The state is currently conducting a discussion and construction process for this framework, including training activities, in order to, later, design an initial version to be thoroughly discussed with other sectors of society.

The State is also reviewing its current institutional arrangements, which may be altered by these policies. Amapá analyzes how existing initiatives in other Amazonian States may steer or subsidize the proposal of its own norms, in accordance with the realities in the State. Issues related to environmental services are treated mainly by the State Forest Institute (IEF) and by the Amapá State Secretary for the Environment (SEMA).

Deforestation reduction targets

Amapá has no deforestation reduction targets, given that it has the lowest deforestation rate in the Amazon. However, there is concern in regards to monitoring deforestation increases.

Existence of State Forum on Climate Change

The State doesn't have a State Forum established; questions related to these issues are treated within the Sector Chamber on Biodiversity and the State Environmental Council, composed of governmental and non-governmental institutions and productive sector representatives.

Initiatives Underway

REDD+ projects - three projects under development:

- REDD+ Flota - developed by the State Forest Institute (IEF) in partnership with Embrapa and other partners
- Cajari Carbon project - developed by the Rio Cajari Agro-Extractivist Workers Association, in partnership with IEF, Embrapa, ICMBio, CNS, AMAC and Cooperalca
- Jari-Amapá project - developed by Biofilicia and Orsa Florestal companies

¹¹Data obtained through Prodes, 2011..

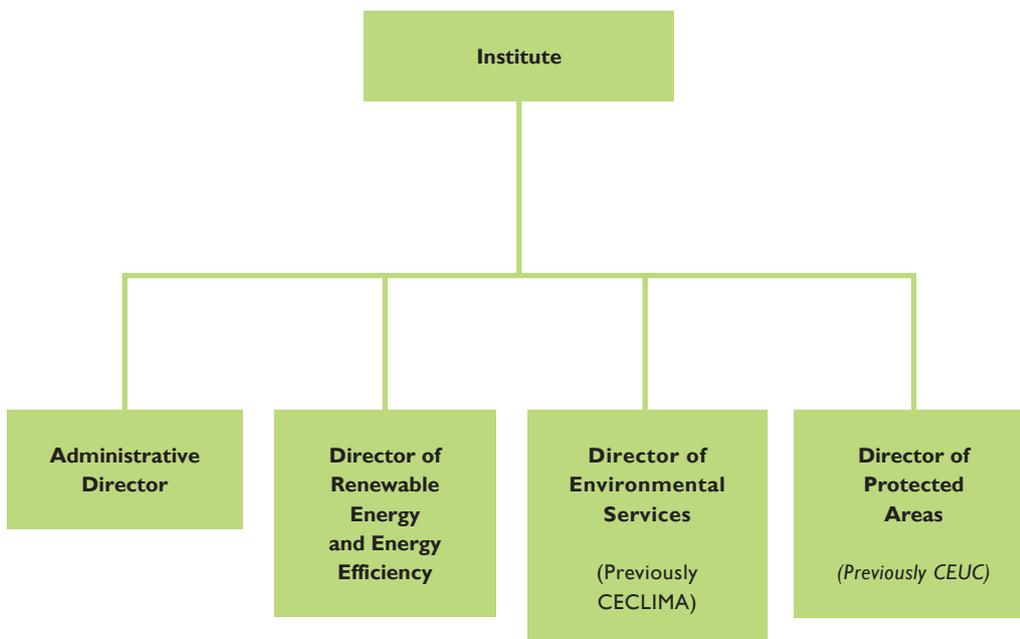
AMAZONAS

Amazonas is the largest state in the Brazilian Amazon and has pioneered various activities related to climate change and ecosystem services. It passed the first State Policy on Climate Change in the country, which established the Bolsa Floresta (Forest Grant) Program, the first PSA program related to deforestation in the Amazon. It is also the first REDD+ project proponent from the Amazon to be approved by a voluntary standard, the REDD+ project in the Juma Sustainable Development Reserve.

Legal Framework

The State approved, in 2007, the State Policy on Climate Change (PEMC), which established the legal framework permitting the State to implement, among others, REDD+ initiatives in State Conservation Units. Having begun so early, the PEMC failed to address some environmental services issues, so, in 2010, Amazonas began the construction of the State Policy on Environmental Services (PESA), within the framework of the Amazonian Climate Change Forum (FAMC). This policy is intended to complement the previous law and to create the “System for the Management of Environmental Services in the State of Amazonas”.

One of the items under this new law is the “Climate and Carbon Regulation Program”, including REDD+ Sub-programme, which will guide the implementation of REDD+ actions throughout the state, including various instruments required for their implementation. The PEMC created specific institutional arrangements, such as the State Center for Climate Change (CECLIMA) and the State Center for Conservation Units (CEUC). This new policy should adapt this arrangement as follows:



Deforestation reduction targets

Amazonas has a reduction target of 38% by 2010, considering the 1996-2005 average (870km²), reducing in 2012 to 400 km² and the maintaining deforestation at an annual maximum of 350km² from then on, until 2020, as stipulated in the Plan for Deforestation Prevention and Control (PPCD-AM).

Existence of State Forum on Climate Change

The Amazonian Forum on Climate Change, Biodiversity, Environmental and Energy Services in Amazonas (FAMC), created by the PEMC, is very active in the State and its activities are coordinated in three thematic chambers: (i) Land Use, Forestry and Environmental Services; (ii) Energy and (iii) Climate Change and Adaptation.

Initiatives underway

REDD+ Projects

- REDD+ project in the Juma Sustainable Development Reserve - Proposed by the State Government and the Sustainable Amazonas Foundation
- Itacoatiara project – Developed by the Biofilica and Amata companies

Bolsa Floresta - PSA program related to avoided deforestation.

MATO GROSSO

Mato Grosso is probably the State most reflective of the economic and environmental diversity in the Amazon, including three biomes- Amazon, Cerrado and Pantanal- and is the world's largest producer of soybeans, cattle and other agricultural commodities, and, in recent years, has had success in reducing their rates of deforestation. The need to combine strategies is fundamental for conserving Mato Grosso's forest remnants and optimizing its agricultural activity.

Legal Framework

In 2010, the State has passed a Bill establishing the "State Policy on Climate Change", discussed and elaborated within the framework of the Mato Grosso Forum on Climate Change (FMMC) and which currently follows the legal procedures for approval. Also, since 2009, it has been building a draft State system law through the REDD+ Working Group (GT REDD+) in FMMC. It is already finalized and should begin the legislative process in the near future.

The main objective of the system of MT REDD+ System Law is to promote gradual, consistent and sustained reductions in greenhouse gas emissions caused by deforestation and forest degradation, as well as conservation, sustainable forest management and maintenance and an increase in forest carbon stocks, with a view of achieving the targets of the PPCDQ/MT and of the State policy on Climate Change.

Deforestation reduction targets

The Plan for the Prevention and Control of Deforestation and Burnings stipulates a reduction target of 89% by the year 2020, based on the average from the years 1996 to 2005. It also stipulates reducing illegal deforestation to zero in the year 2012.

Existence of State Forum on Climate Change

The State has created the Mato Grosso Forum on Climate Change (FMMC), which is very active in discussions related to the REDD+ and environmental services issues.

Initiatives underway

REDD+ projects

- Cotriguaçu Sempre Verde - developed by the Centro de Vida Institute (ICV), the Municipal Government, the State Government, ONFi and the Tropical Forests Institute.

"Mato Grosso State Strategic Long-term Plan" - called "MT+20", which plans Climate Protection, REDD+ and Low Carbon Agriculture activities.

PARÁ

Pará is a good reflection of the magnitude of territorial dimensions and pressures on forests in the Amazon. It is one of the States with the highest rates of deforestation, driven by various vectors and actors such as the agricultural sector, mining and infrastructure. An innovative program has been implemented, Municípios Verdes (Green Municipalities), which has gained positive results in terms of deforestation reductions and promoting economic and social development, through the sustainable use of natural resources.

Legal Framework

The State doesn't have a legal framework related to climate change or REDD+ issues, but has been working on the issue internally within the Government. This began in 2009, with a discussion on the draft climate change bill, but has not advanced further.

Under the Municípios Verdes Program, the State is working on a pilot in the Paragominas municipality through the Paragominas Environmental Services Agency (ASA Paragominas), a civil association in the creation process, which aims to form a small PSA/REDD+ pilot project, analyzing options for small owners to be able to access carbon market resources. If results are positive, the objective is to expand this initiative to the State level, making effective these mechanisms for rural producers to access financial resources in something along the lines of a "Eco-Bank".

Deforestation reduction targets

Pará has targets to reduce deforestation and maintain the State's forest remnants under Plan for the Prevention, Control and Alternatives to Deforestation (PPCAD/PA). The target is staggered and stipulates an 80% reduction in deforestation in relation to the initial baseline (1996 to 2005).

Existence of State Forum on Climate Change

A Pará Forum on Climate Change exists, however, it is inactive. The Government has plans to reactivate the State Forum later this year along with its three Chambers (Climate Change, Environmental Services and REDD+).

Initiatives underway

REDD+ Projects

- REDD+ Calha Norte Pará Project – Developed by Imazon, International Conservation and the Pará Secretary for the Environment (SEMA)
- REDD project in São Félix do Xingu – developed by The Nature Conservancy and the Pará Secretary for the Environmental (SEMA)
- Ecomapuá REDD project, Ilha do Marajó – developed by the Ecomapuá Conservação Ltda. Company and partners
- Cikel REDD project – developed by Cikel, validated by the VCS

RONDÔNIA

Rondônia is one of the States with the largest deforested area in the Brazilian Amazon. Almost 40% of its forests have already been lost and that remaining is suffering pressure from the timber and agriculture industries. The State Government has a favorable outlook for REDD+ initiatives, considering them to be an important element for constructing an “ethno-development” agenda, devoted to indigenous peoples and traditional communities.

Legal Framework

The State still has no legal framework related to climate change or REDD+, but is working towards this direction. In 2011, the Rondônia Forum on Climate Change and an Executive Working Group (GTE) were set up, to manage the construction of this legal framework. The Forum has had seminars and meetings, in which a first version of the draft Law on Climate Change, Ecosystem Services and Biodiversity in Rondônia was put together. The State is in the process of contracting legal counsel to elaborate the law and technical support for PSA and biodiversity issues, also involving awareness and training (including for the Government itself).

Rondônia is working on this comprehensive framework, providing for previous regulations, and drawing on experiences of States which have already developed similar legal frameworks (AC, AM and MT), adapted to the realities in the State. The law should also provide for new institutional arrangements, such as the possible creation of an Institute, instances of social participation and control, which must be regulated by a law, together with the creation of the specific programmes. The public targeted are indigenous and traditional peoples and communities, the agricultural sector – primarily, with involvement of academia.

Deforestation reduction targets

Rondônia’s target is to reduce gradually, from 2010, deforestation rates until an annual increment of zero by 2015, as stated in its Plan for Prevention, Control and Sustainable Alternatives to Deforestation in Rondônia.

Existence of State Forum on Climate Change

In 2011, the Forum on Climate Change, Biodiversity and Environmental Services in Rondônia, and its climate, forests and energy technical chambers were instituted.

Initiatives underway

REDD+ Projects

- Suruí Forest Carbon Project - developed by the Metareilá Association of the Suruí Indigenous People, with other partner institutions.

TOCANTINS

Tocantins has Amazon and Cerrado biome areas and much of its economy is based on agriculture and livestock. One of the first carbon projects in Brazil was developed on Ilha do Bananal. Tocantins is working on the issue of forest conservation from a different perspective to other Amazon States, looking at environmental assets and their incorporation into the State's patrimony.

Legal Framework

In 2008, the State approved its State Policy on Climate Change, Environmental Conservation and Sustainable Development. However, the law doesn't apply appropriately to the reality in the State, so the Government is working on revising it through participatory processes in the Environmental State Council and, subsequently, the State Forum on Climate Change. It is also studying other existing environmental laws in the State in order to plan how to adapt them to green economy trends, giving security to the State and to external and internal investments.

Tocantins is adopting different logic to other Amazonian States, working with environmental assets rather than REDD+ actions. The idea is to embed environmental assets to the State's patrimony, which may generate a number of tax benefits, such as increasing the State's debt capacity. The incorporation of environmental assets into the state patrimony, through its quantification and valuation, influences the GDP and budget of the State. Although not intending to act as an implementer or to have REDD+ as revenue generating mechanism in the State, Tocantins supports the private sector or non-governmental organisations in developing it.

Deforestation reduction targets

The State has a reduction target of zero illegal deforestation within five years from 2009, a reduction target for deforestation in the Amazon biome of 75 to 80% in 2013 and deforestation reduction for the Cerrado biome of at least 40% by 2020.

Existence of State Forum on Climate Change

The State Forum on Climate Change and Biodiversity was created in 2007, but has been virtually inactive in terms of participation in recent years. Currently, is in the process of being reactivated.

Initiatives underway

REDD+ Projects

- Carbon Sequestration in Ilha do Bananal – developed by the Ecologica Institute
- Genesis Cerrado Project – developed by the Ecologica Institute

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